

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

DISRUPTION OF GAS SUPPLY TO)
SALYERSVILLE GAS COMPANY, INC.)
AND IMPLEMENTATION OF GAS)
CURTAILMENT PLAN)

CASE NO. 92-541

O R D E R

On December 8, 1992, this proceeding was established, and the Commission issued an Order requiring Salyersville Gas Company, Inc. ("Salyersville") to implement the gas curtailment plan included therein. This action was necessary due to an impending disruption of gas supply which would have prevented Salyersville Gas from providing gas to all of its customers. Immediately preceding that date, however, the principal gas supplier, B.T.U. Pipeline, Inc. ("B.T.U."), was able to somewhat expand its production capability; that action in conjunction with the advent of warmer weather averted the emergency situation, and the gas curtailment plan was not implemented. Since that point in time, gas supply to Salyersville Gas has been sufficient even in periods of more typical winter weather conditions.

However, on February 23, 1993 at approximately 11:30 a.m., Eastern Standard Time, Eli Warach, representing B.T.U., advised Commission Staff that February 28, 1993 would be the last day B.T.U. would supply gas to Salyersville Gas. A summary of Staff's discussion with Mr. Warach is attached as an Appendix. According to Mr. Warach, the reason he will discontinue supply relates to an

ongoing dispute regarding Salyersville's failure to pay B.T.U. for all the gas it has supplied to Salyersville Gas.

The Commission is advised that B.T.U. is the principal source of gas supply for Salyersville Gas. Without this source of gas supply, it is unlikely Salyersville Gas will have sufficient gas supply to maintain service to all of its customers.

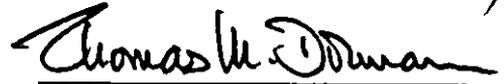
IT IS THEREFORE ORDERED that Salyersville Gas shall immediately implement the gas curtailment plan previously issued in the Commission's December 8, 1992 Order on February 28, 1993 if B.T.U. discontinues its gas supply, unless alternative gas supply arrangements have been made which assure that service can be maintained to all Salyersville Gas customers.

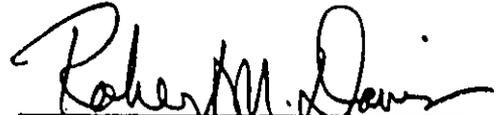
IT IS FURTHER ORDERED that Salyersville Gas shall appear, represented by counsel, before the Commission on March 2, 1993 at 10:00 a.m., Eastern Standard Time, to show cause why the gas curtailment plan previously issued in the Commission's December 8, 1992 Order should not remain in place, and to demonstrate what efforts have been made to resolve the payment dispute with B.T.U., its principal gas supplier, and what alternative gas supply sources exist to enable Salyersville Gas to maintain adequate and reliable gas service to all its customers.

Done at Frankfort, Kentucky, this 24th day of February, 1993.

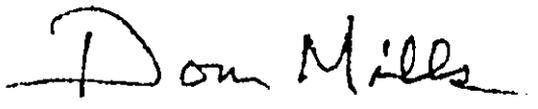
PUBLIC SERVICE COMMISSION


Chairman


Vice Chairman


Commissioner

ATTEST:


Executive Director

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC
SERVICE COMMISSION IN CASE NO. 92-541 DATED February 24, 1993

STATE OF KENTUCKY

COUNTY OF FRANKLIN

A F F I D A V I T

The Affiant, Ralph Dennis, after being duly sworn, states as follows:

On February 23, 1993 at approximately 11:30 a.m., Eli Warach contacted me and advised that February 28, 1993 would be the last day B.T.U. Pipeline would supply gas to Salyersville Gas Company. According to Mr. Warach, Salyersville Gas had only just recently paid its December 1992 bill to B.T.U., and the amount of \$6,000 paid was approximately \$3,000 less than the amount which B.T.U. had billed to Salyersville Gas. Mr. Warach also stated that B.T.U.'s bill to Salyersville Gas for January 1993 deliveries remained unpaid.

Mr. Warach reiterated that this discrepancy in payment was a continuation of a problem B.T.U. had with the previous Trustee in Bankruptcy for Salyersville Gas, Morris Kennedy, whereby Mr. Kennedy only paid to B.T.U. an amount of money equal to the amount of gas which Salyersville Gas sold to its customers. Mr. Kennedy used monthly meter readings to determine how much gas Salyersville Gas sold. It appears to Mr. Warach that Jim Lyon, the current Trustee, and Estill Branham, the manager under contract to operate Salyersville Gas, are using the same method to determine how much is owed to B.T.U.

Mr. Warach stated he cannot continue to supply gas for which he is not paid. In his conversations with Mr. Branham and Mr. Lyon, he has received no indication that Salyersville Gas intends to alter its practice of only paying B.T.U. for the amount of gas Salyersville Gas sells to its customers. Without full payment, Mr. Warach stated he cannot afford to continue supplying Salyersville Gas.

FURTHER THE AFFIANT SAITH NOT.



RALPH DENNIS

Subscribed and sworn to before me by Ralph Dennis this 24th day of February, 1993.



NOTARY PUBLIC *State-at-Large*

My Commission expires:

 Sept. 10, 1996